

COMMONWEALTH OF KENTUCKY
BEFORE THE ENERGY REGULATORY COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY)	
POWER COOPERATIVE, INC., FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE)	
AND NECESSITY, AND A CERTIFICATE)	
OF ENVIRONMENTAL COMPATIBILITY FOR)	
THE CONSTRUCTION OF AN ELECTRIC)	
GENERATING STATION AND RELATED)	CASE NO. 7809
TRANSMISSION FACILITIES, AND FOR)	
AUTHORITY TO ISSUE SECURITIES AND)	
EXECUTE NOTES AND OTHER EVIDENCE)	
OF INDEBTEDNESS RELATIVE THERETO)	

O R D E R

On October 14, 1980, the Commission entered its Order directing East Kentucky Power Cooperative, Inc., (East Kentucky) to provide written responses to questions set forth therein. On October 24, 1980, East Kentucky filed its responses.

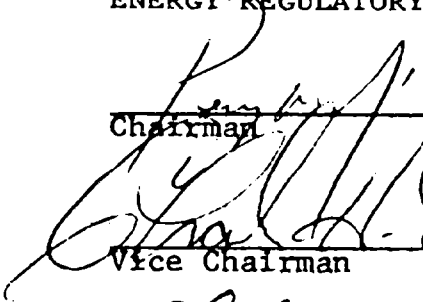
The Commission Research Staff has reviewed the responses of East Kentucky, and that part of the review which is attached hereto is identified as Appendix "A".

The Commission, being sufficiently advised that the Research Staff review raises questions with respect to the issue of need for additional generation capacity, ORDERS that Appendix "A" be filed subject to its proper verification, and that Applicant shall file written rebuttal to each numbered paragraph of Appendix "A" no later than twenty (20) days from the date of this Order.


It is FURTHER ORDERED that this case be and it is hereby set for further hearing on December 4, 1980, at 9:00 a.m., Eastern Standard Time, at the Commission's offices at Frankfort, Kentucky. The hearing shall be for the purpose of verification of the comments set forth in Appendix "A" and verification of the prefiled rebuttal testimony of applicant, and the cross examination of the proponents of such testimony.

Done at Frankfort, Kentucky, this 7th day of November,
1980.

ENERGY REGULATORY COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

CASE NO. 7809

APPENDIX "A"

"East Kentucky Power has responded to our request for additional data and an explanation of how they derived these data. The key issue is the methodology by which projections of the number of additional consumers for the system in 1983 and 1988 are made. Apparently, each distribution cooperative sums the population projections for the counties in which it has a major service area and then divides by its population to consumer ratio. This ratio is estimated for each co-op by an historical growth rate determined by that co-op's experience from 1970 to 1976.

"(1) There seem to be a number of possible biases and potential errors in their methodology. First, the use of an historical population-to-consumer ratio can result in serious estimation errors for distribution co-ops when a county with a large and growing population is included in the co-op's total population count, particularly if the county is served primarily by some other utility. For example, Blue Grass RECC serves some people in Fayette County, but the majority of the county's population is served by KU. However, substantial growth in Fayette County would result in an estimated increase in the number of Blue Grass RECC's customers, even though there might be little consumer growth in their service area.

"(2) Second, to assume that an historical ratio of population to consumers will continue to decline at the rate it did in the 1970's is suspect. For example, to achieve the population to consumer ratio projected by EKP for its power service area in 1988, 5.6 out of every 10 new people in those counties would have to be residential consumers. Yet, the current ratio is only 1.3 consumers for every 10 people! It is impossible to determine what changes this would require for each distribution co-op since the ratio was not provided at the co-op level, but the overall figure is startling.

"(3) Third, double counting occurs at the distribution level without a provision for correction. EKP does correct for double counting of counties at the state level; however, the projections of new consumers are developed at the distribution level. For example, there are seemingly 93,651 people double-counted in 1983 and 98,767 in 1988. This results in an over estimation of new residential consumers in both 1983 and 1988 and actually leads some of the distribution cooperatives to project residential increases greater than the projected increases in population! Hence, Fleming-Mason RECC projects an increase of 1,560 residential consumers while the population it serves is projected to grow by only 766 people from 1983 to 1988; and Shelby RECC forecasts residential consumers to increase by 2000 with a population increase of 1694 people. This could happen if there were sizeable movement from the towns served by other utilities to the nearby rural areas, but it is unlikely that this will occur at a rate necessary to validate these figures.

"(4) Another topic on which the staff requested additional information related to the expected sizeable increase in average kwh usage by the non-all electric consumers. The estimates provided by EKP shows great variability among the distributional co-ops. They range from a low of 500 kwh/month per consumer for Nolin RECC to a high of 1340 kwh/month per consumer by Blue Grass RECC in 1988 with the percentage change of the estimates ranging from a low of 0% to a high of 190% in the ten year span. Also, there is insufficient explanation of the projected overall increase, particularly given the experience of other utilities across the nation.

"(5) Finally, for the large commercial sector many of the distribution cooperatives have projected rapid growth between 1983 and 1988. The expected number of consumers in this category jumps by 29.1% during this time period. Big Sandy RECC and Shelby RECC project 50% increases in the number of large

commercial consumers. It should be emphasized that use of a three year trend, with subsequent projection for 10 years is highly suspect and can result in serious overestimation.

"(6) Recent information from the Office of Power, Tennessee Valley Authority, has indicated that TVA will have large quantities of power for sale in the 1980's. In Black and Veatch's Supplement to Report on Power Supply, they indicate some contact with potential firm suppliers. Because of the possibility of overexpansion of generating facilities and its negative impact on rate payers, has Eastern Kentucky Power made any contact with TVA on possible firm power purchase agreements after 1983? . . ."